



## Senate

General Assembly

**File No. 598**

February Session, 2012

Substitute Senate Bill No. 29

*Senate, May 2, 2012*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING THE CONNECTICUT HEALTH AND  
EDUCATIONAL FACILITIES AUTHORITY.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. Subsection (e) of section 10a-178 of the 2012 supplement  
2       to the general statutes is repealed and the following is substituted in  
3       lieu thereof (*Effective July 1, 2012*):

4       (e) "Institution for higher education" means (1) an educational  
5       institution situated within this state which by virtue of law or charter  
6       is a nonprofit educational institution empowered to provide a program  
7       of education beyond the high school level; or (2) a public educational  
8       institution, which, shall be [the state colleges, known collectively as  
9       Connecticut State University] any constituent unit, as defined in  
10      section 10a-1;

11      Sec. 2. Section 10a-178 of the 2012 supplement to the general statutes  
12      is amended by adding subsection (p) as follows (*Effective July 1, 2012*):

13 (NEW) (p) "Connecticut Higher Education Supplemental Loan  
14 Authority" means the Connecticut Higher Education Supplemental  
15 Loan Authority established as a subsidiary of the authority with  
16 powers granted pursuant to chapter 187b.

17 Sec. 3. (NEW) (*Effective July 1, 2012*) (a) The Connecticut Higher  
18 Education Supplemental Loan Authority is constituted as a subsidiary  
19 of the Connecticut Health and Educational Facilities Authority. The  
20 Connecticut Higher Education Supplemental Loan Authority shall be  
21 deemed a quasi-public agency for purposes of chapter 12 of the  
22 general statutes and for the purpose of assisting borrowers, as defined  
23 in section 10a-233 of the general statutes, and Connecticut institutions  
24 for higher education, as defined in said section 10a-233, in the  
25 financing and refinancing of the cost of higher education. The  
26 Connecticut Higher Education Supplemental Loan Authority shall  
27 have all the privileges, immunities, tax exemptions and other  
28 exemptions of the Connecticut Health and Educational Facilities  
29 Authority and may exercise the powers granted pursuant to chapter  
30 187b of the general statutes, which shall be deemed and held to be the  
31 performance of an essential public and government function. The  
32 Connecticut Higher Education Supplemental Loan Authority shall be  
33 subject to suit and liability solely from the assets, revenues and  
34 resources of the Connecticut Higher Education Supplemental Loan  
35 Authority and without recourse to the general funds, revenues,  
36 resources or any other assets of the Connecticut Health and  
37 Educational Facilities Authority. The Connecticut Higher Education  
38 Supplemental Loan Authority is authorized, for the purposes set forth  
39 in chapter 187b of the general statutes, to mortgage, convey or dispose  
40 of its assets and pledge its revenues in order to secure any borrowing,  
41 provided each such borrowing or mortgage shall be a special  
42 obligation of the Connecticut Higher Education Supplemental Loan  
43 Authority, which obligation may be in the form of bonds, bond  
44 anticipation notes or other obligations which evidence an indebtedness  
45 to the extent permitted under chapter 187b of the general statutes to  
46 fund, refinance and refund such borrowing and provide for the rights  
47 of holders of such bonds, bond anticipation notes or other obligation,

48 and to secure such bonds, bond anticipation notes or other obligation  
49 by pledge of revenues, notes and mortgages of others, and which shall  
50 be payable solely from the assets, revenues and other resources of the  
51 Connecticut Higher Education Supplemental Loan Authority. The  
52 Connecticut Higher Education Supplemental Loan Authority shall  
53 have the purposes which shall be consistent with chapter 187b of the  
54 general statutes.

55 (b) The Connecticut Higher Education Supplemental Loan  
56 Authority shall be governed by a board of directors consisting of the  
57 following nine members: (1) The State Treasurer, or the Treasurer's  
58 designee, who shall serve as an ex-officio voting member; (2) the  
59 Secretary of the Office of Policy and Management, or the secretary's  
60 designee, who shall serve as an ex-officio voting member; (3) the  
61 President of the Board of Regents for Higher Education, or the  
62 president's designee, who shall serve as an ex-officio voting member;  
63 (4) the chairperson of the board of directors of the Connecticut Health  
64 and Educational Facilities Authority; (5) the executive director of said  
65 authority; (6) a member of the board of directors of said authority who  
66 is an active or retired trustee, director, officer or employee of a  
67 Connecticut institution for higher education, appointed by the board of  
68 directors of said authority; (7) a member of the board of directors of  
69 said authority who is an active or retired trustee, director, officer or  
70 employee of a Connecticut institution for higher education, appointed  
71 by the board of directors of said authority; (8) a resident of this state  
72 with a favorable reputation for skill, knowledge and experience in the  
73 higher education loan field, who shall be appointed by the board of  
74 directors of said authority; and (9) a resident of this state with a  
75 favorable reputation for skill, knowledge and experience in either the  
76 higher education loan field or in state and municipal finance,  
77 appointed by the board of directors of said authority. Of the four  
78 appointed members, not more than two may be members of the same  
79 political party. The two members who are members of the board of  
80 said authority and active or retired trustees, directors, officers or  
81 employees of Connecticut institutions for higher education shall serve  
82 so long as such member remains a member of the board of said

83 authority or until such time as a successor is appointed. One appointed  
84 member shall serve until the earlier of July 1, 2017, or, if such person  
85 was a member of the Connecticut Higher Education Supplemental  
86 Loan Authority board on June 30, 2012, the date on which such  
87 member's then current term was originally scheduled to end. One  
88 appointed member shall serve until the earlier of July 1, 2018, or, if  
89 such person was a member of the Connecticut Higher Education  
90 Supplemental Loan Authority board on June 30, 2012, the date on  
91 which such member's then current term was originally scheduled to  
92 end. Except as provided in this subsection and notwithstanding the  
93 original date of expiration of the term of any person who is an  
94 appointed member of the Connecticut Higher Education Supplemental  
95 Loan Authority board on June 30, 2012, the term of all such persons  
96 shall expire on July 1, 2012. The Connecticut Health and Educational  
97 Facilities Authority board shall appoint a member or members each for  
98 a term of six years or until his or her successor is appointed and has  
99 qualified to succeed the members whose terms expire. Said authority  
100 board shall fill any vacancy for the unexpired term. A member of the  
101 Connecticut Higher Education Supplemental Loan Authority board  
102 shall be eligible for reappointment. Any member of the Connecticut  
103 Higher Education Supplemental Loan Authority board may be  
104 removed by the appointing authority for misfeasance, malfeasance or  
105 wilful neglect of duty. Each member of the Connecticut Higher  
106 Education Supplemental Loan Authority board before entering upon  
107 his or her duties shall take and subscribe the oath or affirmation  
108 required by section 1 of article eleventh of the State Constitution. A  
109 record of each such oath shall be filed in the office of the Secretary of  
110 the State.

111 (c) The chairperson of the board of the directors of the Connecticut  
112 Health and Educational Facilities Authority shall serve as chairperson  
113 of the Connecticut Higher Education Supplemental Loan Authority  
114 board. The Connecticut Higher Education Supplemental Loan  
115 Authority board shall annually elect one of its members as vice-  
116 chairman. The Connecticut Higher Education Supplemental Loan  
117 Authority board may appoint an executive director, who shall be an

118 employee of the Connecticut Health and Educational Facilities  
119 Authority and who shall serve at the pleasure of the Connecticut  
120 Higher Education Supplemental Loan Authority board.

121 (d) To the extent necessary or appropriate to assure that the interest  
122 on any of its bonds, notes or other obligations are or continue to be  
123 excluded from the gross income of the recipients for federal income tax  
124 purposes, the Connecticut Health and Educational Facilities Authority  
125 or the Connecticut Higher Education Supplemental Loan Authority  
126 shall take such actions to comply with the provisions of the Internal  
127 Revenue Code of 1986 or any subsequent corresponding internal  
128 revenue code of the United States, as from time to time amended, if  
129 necessary, to qualify and maintain such subsidiary as a corporation  
130 exempt from taxation under said Internal Revenue Code.

131 (e) The provisions of section 1-125 of the general statutes, subsection  
132 (e) of section 10a-185 of the general statutes and this subsection shall  
133 apply to any officer, director, designee or employee appointed as a  
134 member, director or officer of the Connecticut Higher Education  
135 Supplemental Loan Authority. Any such persons so appointed shall  
136 not be personally liable for the debts, obligations or liabilities of the  
137 Connecticut Higher Education Supplemental Loan Authority as  
138 provided in said section 1-125. The subsidiary shall and the  
139 Connecticut Health and Educational Facilities Authority may provide  
140 for the indemnification to protect, save harmless and indemnify such  
141 officer, director, designee or employee as provided by said section 1-  
142 125.

143 (f) The Connecticut Health and Educational Facilities Authority or  
144 the Connecticut Higher Education Supplemental Loan Authority may  
145 take such actions as are necessary to comply with the provisions of the  
146 Internal Revenue Code of 1986 or any subsequent corresponding  
147 internal revenue code of the United States, as from time to time  
148 amended, to qualify and maintain any such subsidiary as a corporation  
149 exempt from taxation under said Internal Revenue Code.

150 Sec. 4. Subdivision (1) of subsection (k) of section 10a-179 of the

151 general statutes is repealed and the following is substituted in lieu  
152 thereof (*Effective July 1, 2012*):

153       (k) (1) The authority may form one or more subsidiaries to carry out  
154 the public purposes of the authority and may transfer to any such  
155 subsidiary any moneys and real or personal property of any kind or  
156 nature. Any such subsidiary may be organized as a stock or nonstock  
157 corporation or a limited liability company. Each such subsidiary shall  
158 have and may exercise such powers of the authority as are set forth in  
159 the resolution of the authority prescribing the purposes for which such  
160 subsidiary is formed and such other powers provided to it by law.  
161 Each such subsidiary shall be deemed a quasi-public agency for  
162 purposes of chapter 12 and shall have all the privileges, immunities,  
163 tax exemptions and other exemptions of the authority, including the  
164 privileges, immunities, tax exemptions and other exemptions provided  
165 under the general statutes for special capital reserve funds. Each such  
166 subsidiary shall be subject to suit provided its liability shall be limited  
167 solely to the assets, revenues and resources of the subsidiary and  
168 without recourse to the general funds, revenues, resources or any other  
169 assets of the authority. Each such subsidiary is authorized to assume or  
170 take title to property subject to any existing lien, encumbrance or  
171 mortgage and to mortgage, convey or dispose of its assets and pledge  
172 its revenues in order to secure any borrowing, for the purpose of  
173 refinancing, rehabilitating or improving its assets, provided each such  
174 borrowing or mortgage shall be a special obligation of the subsidiary,  
175 which obligation may be in the form of bonds, bond anticipation notes  
176 and other obligations to the extent permitted under this chapter to  
177 fund and refund the same and provide for the rights of the holders  
178 thereof, and to secure the same by pledge [or] of revenues, notes and  
179 other assets and which shall be payable solely from the assets,  
180 revenues and other resources of the subsidiary. The authority shall  
181 have the power to assign to a subsidiary any rights, moneys or other  
182 assets it has under any governmental program including the nursing  
183 home loan program. [No borrowing shall be undertaken by a  
184 subsidiary of the authority without the approval of the authority.]

185 Sec. 5. Section 10a-180 of the general statutes is amended by adding  
186 subsection (x) as follows (*Effective July 1, 2012*):

187 (NEW) (x) To provide and be compensated for such services to or  
188 on behalf of the Connecticut Higher Education Supplemental Loan  
189 Authority as are appropriate for the operation and management of  
190 said authority, including, without limitation, to provide to said  
191 authority and to be reimbursed for costs associated with such space,  
192 equipment, supplies and employees as are necessary and appropriate  
193 for the operations of said authority.

194 Sec. 6. Section 10a-223 of the general statutes is repealed and the  
195 following is substituted in lieu thereof (*Effective July 1, 2012*):

196 In this chapter, the following words and terms shall have the  
197 following meanings unless the context indicates another or different  
198 meaning or intent:

199 [(a)] (1) "Authority" means the Higher Education Supplemental  
200 Loan Authority [established pursuant to section 10a-224] constituted as  
201 a subsidiary of the Connecticut Health and Educational Facilities  
202 Authority as provided in section 3 of this act;

203 (2) "Authorized officer" means an employee of the Connecticut  
204 Health and Educational Facilities Authority or of the authority who is  
205 authorized by the board of directors of the authority to execute and  
206 deliver documents and papers and to act in the name of and on behalf  
207 of the authority;

208 [(b)] (3) "Authority loans" means education loans by the authority,  
209 or loans by the authority from the proceeds of bonds for the purpose of  
210 funding education loans;

211 (4) "Board" means the board of directors of the authority;

212 [(c)] (5) "Bonds" or "revenue bonds" means revenue bonds or notes  
213 of the authority issued under the provisions of this chapter, including  
214 revenue refunding bonds or notes;

215 [(d)] (6) "Bond resolution" means the resolution or resolutions of the  
216 authority and the trust agreement, if any, authorizing the issuance of  
217 and providing for the terms and conditions applicable to bonds;

218 [(e)] (7) "Borrower" means a student and any parent who has  
219 received or agreed to pay an education loan;

220 (8) "Connecticut Health and Educational Facilities Authority" means  
221 the quasi-public authority established pursuant to section 10a-179, as  
222 amended by this act;

223 [(f)] (9) "Connecticut institution for higher education" means an  
224 institution for higher education within the state;

225 [(g)] (10) "Default insurance" means insurance insuring education  
226 loans, authority loans or bonds against default;

227 [(h)] (11) "Default reserve fund" means a fund established pursuant  
228 to a bond resolution for the purpose of securing education loans,  
229 authority loans or bonds;

230 [(i)] (12) "Education loan" means a loan which is made by the  
231 authority to a student in or from the state, or the parents of such a  
232 student, or both, to finance the attendance of the student at an  
233 institution for higher education, or a loan by or on behalf of a  
234 participating institution for higher education from the proceeds of an  
235 authority loan, to a student, or the parents of a student, or both, to  
236 finance the student's attendance at such institution;

237 [(j)] (13) "Loan funding deposit" means moneys or other property  
238 deposited by a Connecticut institution for higher education with the  
239 authority, a guarantor or a trustee for the purpose of [(1)] (A)  
240 providing security for bonds, [(2)] (B) funding a default reserve fund,  
241 [(3)] (C) acquiring default insurance, or [(4)] (D) defraying costs of the  
242 authority, such moneys or properties to be in such amounts as deemed  
243 necessary by the authority or guarantor as a condition for such  
244 institution's participation in the authority's programs;



245 [(k)] (14) "Institution for higher education" means a degree-granting  
246 educational institution within the United States authorized by  
247 applicable law to provide a program of education beyond the high  
248 school level and [(1)] (A) described in Section 501(c)(3) of the Internal  
249 Revenue Code of 1986, or any subsequent corresponding internal  
250 revenue code of the United States, as from time to time amended, and  
251 exempt from taxation under Section 501(a) of said code with respect to  
252 a trade or business carried on by such institution which is not an  
253 unrelated trade or business, determined by applying Section 513(a) of  
254 said code to such organization or a foundation established for its  
255 benefit, or [(2)] (B) exempt from taxation under said code as a  
256 governmental unit;

257 [(l)] (15) "Participating institution for higher education" means a  
258 Connecticut institution for higher education which, pursuant to the  
259 provisions of this chapter, undertakes the financing directly or  
260 indirectly of education loans as provided in this chapter;

261 [(m)] (16) "Parent" means any parent, legal guardian or sponsor of a  
262 student at an institution for higher education;

263 [(n)] (17) "Education loan series portfolio" means all education loans  
264 made by the authority or by or on behalf of a specific participating  
265 institution for higher education which are funded from the proceeds of  
266 a related specific bond issue of the authority.

267 Sec. 7. Section 10a-224 of the general statutes is repealed and the  
268 following is substituted in lieu thereof (*Effective July 1, 2012*):

269 [(a)] There is created a body politic and corporate to be known as the  
270 "Connecticut Higher Education Supplemental Loan Authority". The  
271 authority is constituted a public instrumentality and political  
272 subdivision of the state and the exercise by the authority of the powers  
273 conferred by this chapter shall be deemed and held to be the  
274 performance of an essential public and governmental function. The  
275 powers of the authority shall be vested in and exercised by a board of  
276 directors which shall consist of eight members, one of whom shall be

277 the State Treasurer, one of whom shall be the Secretary of the Office of  
278 Policy and Management and one of whom shall be the president of the  
279 Board of Regents for Higher Education, each serving ex officio, and  
280 five of whom shall be residents of the state appointed by the Governor,  
281 not more than three of such appointed members to be members of the  
282 same political party. Three of the appointed members shall be active or  
283 retired trustees, directors, officers or employees of Connecticut  
284 institutions for higher education. At least one of the appointed  
285 members shall be a person having a favorable reputation for skill,  
286 knowledge and experience in the higher education loan finance field,  
287 and at least one of such appointed members shall be a person having a  
288 favorable reputation for skill, knowledge and experience in state and  
289 municipal finance, either as a partner, officer or employee of an  
290 investment banking firm which originates and purchases state and  
291 municipal securities, or as an officer or employee of an insurance  
292 company or bank whose duties relate to the purchase of state and  
293 municipal securities as an investment and to the management and  
294 control of a state and municipal securities portfolio. Of the three  
295 members first appointed who are trustees, directors, officers or  
296 employees of Connecticut institutions for higher education, one shall  
297 serve until July 1, 1986, one shall serve until July 1, 1987, and one shall  
298 serve until July 1, 1988. Of the three remaining members first  
299 appointed, one shall serve until July 1, 1983, one shall serve until July  
300 1, 1984, and one shall serve until July 1, 1985. On or before the first day  
301 of July, annually, the Governor shall appoint a member or members to  
302 succeed those whose terms expire, each for a term of six years and  
303 until his successor is appointed and has qualified. The Governor shall  
304 fill any vacancy for the unexpired term. A member of the board shall  
305 be eligible for reappointment. Any member of the board may be  
306 removed by the Governor for misfeasance, malfeasance or wilful  
307 neglect of duty. Each member of the board before entering upon his or  
308 her duties shall take and subscribe the oath or affirmation required by  
309 section 1 of article eleventh of the State Constitution. A record of each  
310 such oath shall be filed in the office of the Secretary of the State. The  
311 State Treasurer, the Secretary of the Office of Policy and Management

312 and the president of the Board of Regents for Higher Education may  
313 each designate a deputy or any staff member to represent him as a  
314 member at meetings of the board with full power to act and vote on his  
315 behalf.

316 (b) The chairperson of the board shall be appointed by the Governor  
317 with the advice and consent of both houses of the General Assembly.  
318 The board shall annually elect one of its members as vice-chairman.  
319 The board may appoint an executive director and assistant executive  
320 director, who shall not be members of the board and who shall serve at  
321 the pleasure of the board. The executive director and assistant  
322 executive director shall receive such compensation as shall be fixed by  
323 the board.]

324 [(c)] (a) The executive director of the Connecticut Higher Education  
325 Supplemental Loan Authority shall supervise the administrative  
326 affairs and technical activities of the authority in accordance with the  
327 directives of the board. The executive director shall keep a record of  
328 the proceedings of the authority and shall be custodian of all books,  
329 documents and papers filed with the authority, the minute book or  
330 journal of the authority, and its official seal. The executive director or  
331 [assistant executive director or other person] another authorized officer  
332 may cause copies to be made of all minutes and other records and  
333 documents of the authority and may give certificates under the official  
334 seal of the authority to the effect that such copies are true copies, and  
335 all persons dealing with the authority may rely upon such certificates.

336 [(d)] (b) (1) Five members of the board shall constitute a quorum.  
337 The affirmative vote of five of the members of the board shall be  
338 necessary for any action taken by the board. No vacancy in the  
339 membership of the board shall impair the right of a quorum of  
340 members to exercise all the rights and perform all the duties of the  
341 board. Any action taken by the board under the provisions of this  
342 chapter may be authorized by resolution at any regular or special  
343 meeting, and each such resolution shall take effect immediately and  
344 need not be published or posted. (2) The board of directors may

345 delegate to three or more of its members such board powers and duties  
346 as it may deem proper. At least one of such members shall not be a  
347 state employee.

348 [(e)] (c) Before the issuance of any bonds or notes under the  
349 provisions of this chapter, the chairman and vice-chairman of the  
350 board of directors, the executive director and [assistant executive  
351 director of the authority and] any other member of the board  
352 authorized by resolution of the board to handle funds or sign checks of  
353 the authority and any other authorized officer shall execute a surety  
354 bond in the penal sum of fifty thousand dollars, or in lieu thereof the  
355 chairman shall obtain a blanket position bond covering the executive  
356 director and every member of the board and other employee or  
357 authorized officer of the authority in the penal sum of fifty thousand  
358 dollars. Each such bond shall be conditioned upon the faithful  
359 performance of the duties of the principal or the members, executive  
360 director and other authorized officers or employees, as the case may  
361 be, shall be executed by a surety company authorized to transact  
362 business in the state as surety, and shall be filed in the office of the  
363 Secretary of the State. The cost of each such bond shall be paid by the  
364 authority.

365 [(f)] (d) The members of the board shall receive no compensation for  
366 the performance of their duties hereunder but each such member shall  
367 be paid the necessary expenses incurred by such member while  
368 engaged in the performance of such duties.

369 [(g)] (e) (1) No member of the board or officer, agent or employee of  
370 the authority shall, directly or indirectly, have any financial interest in  
371 any participating institution for higher education or in any  
372 corporation, business trust, estate, trust, partnership or association,  
373 two or more persons having a joint or common interest, or any other  
374 legal or commercial entity contracting with the authority. Any  
375 individual who violates the provisions of this subsection shall be  
376 punished by a fine of not less than fifty dollars nor more than one  
377 thousand dollars, or by imprisonment for not more than one month, or

378 both.

379 (2) Notwithstanding the provisions of subdivision (1) of this  
380 subsection or the provisions of any other law, [to the contrary,] it shall  
381 not be or constitute a conflict of interest or violation of the provisions  
382 of said subdivision or the provisions of any other law for a trustee,  
383 director, officer or employee of a participating institution of higher  
384 education or for a person having the required favorable reputation for  
385 skill, knowledge and experience in state and municipal finance or for a  
386 person having the required favorable reputation for skill, knowledge  
387 and experience in the higher education loan finance field to serve as a  
388 member of the board; provided, in each case to which the provisions of  
389 this subdivision are applicable, such trustee, director, officer or  
390 employee of such participating institution of higher education abstains  
391 from discussion, deliberation, action and vote by the board in specific  
392 respect to any undertaking pursuant to this chapter in which such  
393 participating institution of higher education has a direct interest  
394 separate from the interests of all of the participating institutions  
395 generally, or such person having the required favorable reputation for  
396 skill, knowledge and experience in state and municipal finance  
397 abstains from discussion, deliberation, action and vote by the board in  
398 specific respect to any sale, purchase or ownership of bonds of the  
399 authority in which the investment banking firm or insurance company  
400 or bank of which such person is a partner, officer or employee has or  
401 may have a current or future interest, or such person having the  
402 required favorable reputation for skill, knowledge and experience in  
403 the higher education loan finance field abstains from discussion,  
404 deliberation, action and vote by the board in specific respect to any  
405 action of the authority in which any partnership, firm, joint venture,  
406 sole proprietorship or corporation of which such person is an owner,  
407 venturer, participant, partner, officer or employee has or may have a  
408 current or future interest.

409 [(h)] (f) The board of directors of the authority shall adopt written  
410 procedures, in accordance with the provisions of section 1-121, for: (1)  
411 Adopting an annual budget and plan of operations, including a

412 requirement of board approval before the budget or plan may take  
413 effect; (2) hiring, dismissing, promoting and compensating employees  
414 of the authority, including an affirmative action policy and a  
415 requirement of board approval before a position may be created or a  
416 vacancy filled; (3) acquiring real and personal property and personal  
417 services, including a requirement of board approval for any  
418 nonbudgeted expenditure in excess of five thousand dollars; (4)  
419 contracting for financial, legal, bond underwriting and other  
420 professional services, including a requirement that the authority solicit  
421 proposals at least once every three years for each such service which it  
422 uses; (5) issuing and retiring bonds, bond anticipation notes and other  
423 obligations of the authority; (6) awarding loans, grants and other  
424 financial assistance, including eligibility criteria, the application  
425 process and the role played by the authority's staff and board of  
426 directors; and (7) the use of surplus funds to the extent authorized  
427 under this chapter or other provisions of the general statutes.

428       [(i)] (g) The authority shall continue as long as it shall have bonds or  
429 other obligations outstanding and until its existence is terminated by  
430 law. Upon termination of the existence of the authority, all its rights  
431 and properties shall pass to and be vested in the state of Connecticut.

432       (h) The provisions of section 1-125, subsection (f) of section 10a-230  
433 and this subsection shall apply to any officer, director or employee of  
434 the Connecticut Health and Educational Facilities Authority appointed  
435 as a director of the authority and to any employee of the Connecticut  
436 Health and Educational Facilities Authority who is an authorized  
437 officer of the authority. Any such person shall not be personally liable  
438 for the debts, obligations or liabilities of the authority as provided in  
439 said section 1-125. The authority shall, and the Connecticut Health and  
440 Educational Facilities Authority may, provide for the indemnification  
441 to protect, save harmless and indemnify such officer, director or  
442 employee of the Connecticut Health and Educational Facilities  
443 Authority as provided by said section 1-125.

444       Sec. 8. Subsection (a) of section 10a-186a of the general statutes is

445 repealed and the following is substituted in lieu thereof (*Effective July*  
446 *1, 2012*):

447 (a) In connection with the issuance of bonds to finance a project at a  
448 participating nursing home or to refund bonds previously issued by  
449 the authority to finance a project at a participating nursing home, or in  
450 connection with the issuance of bonds to effect a refinancing or other  
451 restructuring with respect to one or more participating nursing homes  
452 as permitted by subsection (b) of this section, to finance dormitories,  
453 residential facilities, student centers, food service facilities and other  
454 auxiliary service facilities and related buildings and improvements at a  
455 public educational institution, [of higher education,] to finance The  
456 University of Connecticut Health Center clinical services projects, as  
457 defined in subsection (g) of section 10a-114a, or to finance up to one  
458 hundred million dollars, in the aggregate, for equipment, including  
459 installation and any necessary building renovations or alterations for  
460 the installation and operation of such equipment, for participating  
461 health care institutions at the discretion of the Secretary of the Office of  
462 Policy and Management and the Treasurer, the authority may create  
463 and establish one or more reserve funds to be known as special capital  
464 reserve funds and may pay into such special capital reserve funds (1)  
465 any moneys appropriated and made available by the state for the  
466 purposes of such funds, (2) any proceeds of the sale of notes or bonds  
467 for a project, to the extent provided in the resolution of the authority  
468 authorizing the issuance thereof, and (3) any other moneys which may  
469 be made available to the authority for the purpose of such funds from  
470 any other source or sources. The moneys held in or credited to any  
471 special capital reserve fund established under this section, except as  
472 hereinafter provided, shall be used solely for the payment of the  
473 principal of and interest, when due, whether at maturity or by  
474 mandatory sinking fund installments, on bonds of the authority  
475 secured by such capital reserve fund as the same become due, the  
476 purchase of such bonds of the authority, the payment of any  
477 redemption premium required to be paid when such bonds are  
478 redeemed prior to maturity, including in any such case by way of  
479 reimbursement of a provider of bond insurance or of a credit or

480 liquidity facility that has paid such amounts; provided the authority  
481 shall have power to provide that moneys in any such fund shall not be  
482 withdrawn therefrom at any time in such amount as would reduce the  
483 amount of such funds to less than the maximum amount of principal  
484 and interest becoming due by reasons of maturity or a required  
485 sinking fund installment in the then current or any succeeding  
486 calendar year on the bonds of the authority then outstanding or the  
487 maximum amount permitted to be deposited in such fund by the  
488 Internal Revenue Code of 1986, or any subsequent corresponding  
489 internal revenue code of the United States, as from time to time  
490 amended, to permit the interest on such bonds to be excluded from  
491 gross income for federal tax purposes and secured by such special  
492 capital reserve fund, such amount being herein referred to as the  
493 "required minimum capital reserve", except for the purpose of paying  
494 such principal of, redemption premium and interest on such bonds of  
495 the authority secured by such special capital reserve becoming due  
496 and for the payment of which other moneys of the authority are not  
497 available. The authority may provide that it shall not issue bonds  
498 secured by a special capital reserve fund at any time if the required  
499 minimum capital reserve on the bonds outstanding and the bonds then  
500 to be issued and secured by the same special capital reserve fund at the  
501 time of issuance, unless the authority, at the time of the issuance of  
502 such bonds, shall deposit in such special capital reserve fund from the  
503 proceeds of the bonds so to be issued, or otherwise, an amount which,  
504 together with the amount then in such special capital reserve fund, will  
505 be not less than the required minimum capital reserve. On or before  
506 December first, annually, there is deemed to be appropriated from the  
507 state General Fund such sums, if any, as shall be certified by the  
508 chairman or vice-chairman of the authority to the Secretary of the  
509 Office of Policy and Management and the Treasurer of the state, as  
510 necessary to restore each such special capital reserve fund to the  
511 amount equal to the required minimum capital reserve of such fund,  
512 and such amounts shall be allotted and paid to the authority. For the  
513 purpose of evaluation of any such special capital reserve fund,  
514 obligations acquired as an investment for any such fund shall be



515 valued at market. Nothing contained in this section shall preclude the  
 516 authority from establishing and creating other debt service reserve  
 517 funds in connection with the issuance of bonds or notes of the  
 518 authority which are not special capital reserve funds. Subject to any  
 519 agreement or agreements with holders of outstanding notes and bonds  
 520 of the authority, any amount or amounts allotted and paid to the  
 521 authority pursuant to this section shall be repaid to the state from  
 522 moneys of the authority at such time as such moneys are not required  
 523 for any other of its corporate purposes and in any event shall be repaid  
 524 to the state on the date one year after all bonds and notes of the  
 525 authority theretofore issued on the date or dates such amount or  
 526 amounts are allotted and paid to the authority or thereafter issued,  
 527 together with interest on such bonds and notes, with interest on any  
 528 unpaid installments of interest and all costs and expenses in  
 529 connection with any action or proceeding by or on behalf of the  
 530 holders thereof, are fully met and discharged. No bonds secured by a  
 531 special capital reserve fund shall be issued to pay project costs unless  
 532 the authority is of the opinion and determines that the revenues from  
 533 the project shall be sufficient (A) to pay the principal of and interest on  
 534 the bonds issued to finance the project, (B) to establish, increase and  
 535 maintain any reserves deemed by the authority to be advisable to  
 536 secure the payment of the principal of and interest on such bonds, (C)  
 537 to pay the cost of maintaining the project in good repair and keeping it  
 538 properly insured, and (D) to pay such other costs of the project as may  
 539 be required.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2012	10a-178(e)
Sec. 2	July 1, 2012	10a-178
Sec. 3	July 1, 2012	New section
Sec. 4	July 1, 2012	10a-179(k)(1)
Sec. 5	July 1, 2012	10a-180
Sec. 6	July 1, 2012	10a-223
Sec. 7	July 1, 2012	10a-224
Sec. 8	July 1, 2012	10a-186a(a)

***Statement of Legislative Commissioners:***

In section 3(b), "June 30" was changed to "July 1" for conformity with the effective date and in section 6, a definition of "Board" was added for clarity.

***FIN***        *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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**OFA Fiscal Note**

**State Impact:** See Below

**Municipal Impact:** None

**Explanation**

The bill will result in administrative cost savings associated with making the Connecticut Higher Education Supplemental Loan Authority (CHESLA) a subsidiary of the Connecticut Health and Educational Facilities Authority (CHEFA). It is anticipated that any administrative service fees charged by CHEFA will be less than the current annual costs incurred by CHESLA for contracts related to management (\$106,000), general counsel (\$80,000), and accounting services (\$35,000), as well as office expenses (\$24,000) and any location expenses.

As both entities will remain quasi-public agencies, the state's General Fund will not realize any savings.

The bill expands the pool of higher education institutions for which the Connecticut Health and Education Facilities Authority (CHEFA) may finance capital projects that are secured by a special capital reserve fund (SCRF). SCRF bonds are a contingent liability of the state, which does not count against the state's statutory limit on General Obligation (GO) bonds in CGS Sec. 3-21<sup>1</sup>. That liability would only be realized in the event that the SCRF fell below the minimum required reserve and the state had to appropriate funds in order to maintain the

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<sup>1</sup> CGS Sec. 3-21 imposes a ceiling on the amount of General Fund-supported debt that the Legislature may authorize that is equal to 1.6 times net General Fund tax receipts projected by the Finance, Revenue and Bonding Committee for the fiscal year in which the bonds are authorized.

SCRF minimum balance. If the state were required to do this, there would be a negative effect on the state's cash flow and a loss of short-term interest on the appropriated funds. CHEFA had a \$260.2 million outstanding balance of SCRF- backed bonds as of February 1, 2012.

### ***Background***

The state permits quasi-public authorities to issue SCRF-backed bonds because the SCRF provides a higher level of repayment security, which results in a lower rate of interest on the bond issuance.

A SCRF is a debt service reserve fund that is set up at the time the bonds are issued, in an amount equal to the lesser of either one year's principal and interest on the bonds or ten percent of the issue. If the borrower makes the scheduled debt service payments, the interest earnings on the reserve fund will pay the interest on the bonds that created it and the principal will go to retire the final maturity of the bond issue. If the borrower is unable to pay all or part of the scheduled debt service payments, the reserve may be drawn upon to pay debt service. The reserve provides up to a year's adjustment time to deal with a revenue shortfall. When the SCRF has been drawn down in part or completely, a draw on the General Fund is authorized and the reserve is fully restored. The draw on the General Fund is deemed to be appropriated and is not subject to the constitutional or statutory appropriations cap. All that is required is a certification by the issuing authority of the amount required. If draws on a SCRF continue, the annual draws on the General Fund required to refill it also continue.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

## OLR Bill Analysis

### sSB 29

## ***AN ACT CONCERNING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY.***

### **SUMMARY:**

This bill merges the Connecticut Health and Educational Facilities Authority (CHEFA) with the Connecticut Higher Education Supplemental Loan Authority (CHESLA) by making CHESLA a subsidiary of CHEFA. CHESLA retains authority to, among other things, issue loans and bonds and hire its own employees. The bill also, among other things, (1) dissolves and reconstitutes the CHESLA board of directors, (2) expands the pool of higher education institutions for which CHEFA may finance capital projects, and (3) makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2012

### **CHESLA**

#### ***Board of Directors***

The bill dissolves and reconstitutes the CHESLA board of directors, terminating the terms of all current directors on July 1, 2012. The reconstituted board is generally similar to the existing board (see Tables 1 and 2), with the primary differences being the board's size (it increases from eight to nine) and the appointing authority (which the bill changes from the governor to the CHEFA board of directors). The bill also lowers, from three to two, the maximum number of the four appointees who may be from the same political party.

**Table 1: CHESLA Board of Directors**

<i>Provision</i>	<i>Current Law</i>	<i>The Bill</i>
<b>Size</b>	Eight members	Nine members

<b>Composition</b>	Three ex-officio members and five appointees See Table 2 for details	Five ex-officio members and four appointees See Table 2 for details
<b>Appointing Authority</b>	Governor	CHEFA board of directors
<b>Term Length for Appointed Members</b>	Six years	Same, with exceptions described in Table 2
<b>Chairperson</b>	Governor designates the chairperson, who is subject to confirmation by both the House and Senate	CHEFA board chairperson serves as the CHESLA board chairperson (under existing law, the CHEFA board chairperson is designated by the governor and subject to confirmation by both chambers)
<b>Vacancies</b>	Filled by appointing authority	Same
<b>Removal of Members</b>	May be removed by the appointing authority for misfeasance, malfeasance, or willful neglect of duty	Same

**Table 2: CHESLA Board of Directors Composition**

<b>Selection Method</b>	<b>Current Law</b>	<b>The Bill</b>
<b>Ex-Officio</b>	Treasurer, Office of Policy and Management secretary, and Board of Regents for Higher Education president, or their designees	Same, with the addition of the CHEFA (1) executive director and (2) board chairperson
<b>Appointed</b>	Three active or retired trustees, directors, officers, or employees of Connecticut institutions of higher education	Same, except (1) there are two, rather than three such appointees and (2) the appointees must be members of the CHEFA board These appointees serve on the CHESLA board (1) for as long as they are on the CHEFA board or (2) until a successor is appointed
	One person with a favorable reputation for skill, knowledge, and experience in the higher education loan finance field	Same (the bill's qualification is "higher education loan" rather than "higher education loan finance" experience)
	One person with a favorable reputation for skill, knowledge, and experience in state and municipal finance This person must be (1) a	Same, except the bill (1) allows the appointee's skill, knowledge, and experience to be in the higher education loan field and (2)

	partner, officer, or employee of an investment bank that originates and purchases state and municipal securities or (2) an officer or employee of an insurance company or bank whose duties relate to purchasing state and municipal securities and managing and controlling a state and municipal securities portfolio	removes the requirements concerning the appointee's occupation
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If a member of the current CHESLA board is reappointed to the new CHESLA board, the bill requires his or her initial term on the new board to end on the date that his or her term on the current board was previously scheduled to end. Otherwise, one of the newly-appointed members must serve an initial five-year term. As under current law, the CHESLA board must annually elect one of its members as board vice-chairperson.

### ***Employees***

The bill maintains the provision in current law allowing CHESLA to have its own employees and allows the CHESLA board to appoint an executive director, who serves at the board's pleasure. However, the bill makes the CHESLA executive director a CHEFA employee.

Additionally, the bill (1) eliminates the CHESLA board's ability to appoint an assistant executive director and (2) allows the CHESLA board to designate CHESLA or CHEFA employees (whom the bill designates as "authorized officers") to execute and deliver documents and papers and act in the name of and on behalf of CHESLA. It extends to such officers a requirement to either obtain a \$50,000 surety bond or be covered by a \$50,000 blanket position bond obtained by the CHESLA board chairperson that is conditioned upon the faithful performance of their duties. Existing law imposes this requirement on the CHESLA board's chairperson and vice-chairperson, its executive director, and other board members authorized by resolution to handle funds and sign checks.

### ***Liability Limits***

The bill subjects CHESLA to lawsuit and liability solely from its own assets, revenues, and resources and without recourse to CHEFA's general funds, revenues, resources, and assets. It maintains current law's provisions that indemnify CHESLA's officers, directors, and employees and protect them from personal liability and extends these protections to "authorized officers" of the CHESLA board.

### ***Tax Exemption***

The bill requires CHEFA and CHESLA to take any necessary actions to (1) maintain CHESLA's tax-exempt status and (2) ensure that interest on CHEFA bonds, notes, or other obligations are not counted as gross income for federal tax purposes.

### **CHEFA**

By law, CHEFA may finance capital projects at the Connecticut State University System and nonprofit independent higher educational institutions in Connecticut. The bill extends this authority to include all public colleges and universities in Connecticut.

It also allows CHEFA to provide and be compensated for services to or on behalf of CHESLA, including services providing CHESLA with space, equipment, supplies, and employees. Additionally, the bill eliminates a requirement that CHEFA subsidiaries (including CHESLA) obtain its approval before borrowing.

### **BACKGROUND**

#### ***Legislative History***

The Senate referred the bill (File 43) to the Finance, Revenue and Bonding Committee, which favorably reported a substitute that removes a provision expanding CHEFA's financing authority to any nonprofit college or university in the nation. It also allows CHEFA's subsidiaries to borrow funds without CHEFA approval and makes technical and conforming changes.

### **CHEFA**

CHEFA is a quasi-public agency that finances capital projects for



health care institutions, higher education institutions, nursing homes, and other nonprofit organizations.

**CHESLA**

CHESLA is a quasi-public agency that provides education loans for (1) students attending a non-profit college or university in Connecticut or (2) Connecticut residents attending a nonprofit college or university in the U.S.

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable

Yea 19 Nay 0 (03/06/2012)

Government Administration and Elections Committee

Joint Favorable

Yea 12 Nay 0 (04/16/2012)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 48 Nay 1 (04/20/2012)